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Report on the midterm review of the UNICEF integrated budget, 2014-2017

Summary

In decision 2013/20, the Executive Board requested UNICEF to present the midterm review of the integrated budget 2014-2017 to complement the midterm review of the UNICEF Strategic Plan 2014-2017.

As an integral part of the UNICEF Strategic Plan, 2014-2017 (E/ICEF/2013/21), the Integrated budget 2014-2017 should also be considered in conjunction with the Report on the midterm review of the Strategic Plan, 2014-2017 and annual report of the Executive Director, 2015 (E/ICEF/2016/6) and its addenda.

UNICEF has revised its integrated resource plan for 2014-2017 taking into account actual revenue and expenditures for 2014, provisional estimates for 2015 and revised estimates for 2016-2017. Within the framework of the revised plan and taking into account the projected increase in total revenue of 15 per cent, from $16.3 billion to $18.8 billion, UNICEF proposes increasing the planned expenditure for programmes by 15 per cent to $17.1 billion, as compared to the initial plan of $14.8 billion. At the same time, UNICEF proposes maintaining the institutional budget at the initially approved level of $2,094.5 million for 2014-2017 with $1,039.3 million funding from regular resources (RR), $938.8 million from cost recovery and $116.4 million from other resources (OR). Compared to the initially approved integrated resource plan 2014-2017, the proportion of total resources utilized for the institutional budget in the revised 2014-2017 integrated resource plan would decrease from 11.9 per cent to 10.5 per cent.

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From the resources available for programmes, UNICEF proposes maintaining a budget from RR of $180.0 million and a ceiling from OR of $528.4 million, subject to the receipt of contributions to OR, for the Global and Regional Programme during 2014-2017.

A draft decision on the revised integrated resource plan, institutional budget and Global and Regional Programme is included in section VII.

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I. Introduction

1. This document presents the midterm review of the UNICEF integrated budget, 2014-2017, which is an integral part of the midterm review of UNICEF Strategic Plan, 2014-2017. The overall format is harmonized with the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA).

2. The Strategic Plan contains a single results framework for UNICEF, comprising seven outcome areas and three result areas on organizational effectiveness and efficiency. The integrated results and resources framework identifies how total resources available to UNICEF are allocated across these outcomes and results.

3. Further to Executive Board decision 2011/6, UNICEF uses an integrated resource plan for the presentation of budgetary information, which is also harmonized for use by UNDP and UNFPA.

II. Integrated resource plan

4. The integrated resource plan is one of the key budget tables in the harmonized presentation of budgetary information.

5. This section provides information on the revised integrated resource plan for 2014-2017 compared to the approved integrated resource plan for 2014-2017. The revised plan is based on 2014 actual expenditure, 2015 provisional estimates, and 2016-2017 revised estimates.

Overview: Comparison of approved and revised integrated resource plan, 2014-2017

6. Overall, the revised integrated resource plan for 2014-2017 is in line with the plan that was approved at the 2013 second regular session of the Executive Board (E/ICEF/2013/AB/L.4). Total income in the revised plan is projected to exceed the approved plan by 15 per cent, at $18.8 billion as compared to the approved plan of $16.3 billion. This is largely due to a projected increase of 29 per cent in OR income in response to emergencies and humanitarian crises. As a result, the proportion of RR to total income is projected to decrease from 35 per cent to 27 per cent in the revised plan, 2014-2017.

7. With the projected increase in revenue, total planned use of resources is expected to increase by 13 per cent, from $17.5 billion to $19.9 billion. This increase in planned use of resources is primarily for programmes, with an increase of 15 per cent from $14.8 billion (approved plan) to $17.1 billion (revised plan).

8. While increasing use of resources for programmes, the use of resources for the institutional budget has been maintained at the initially approved level.

9. Given the estimated increase in total resources available and the use of these additional resources for programmes, the proportion of total resources used for programmes increases from 84.5 per cent to 86.0 per cent, and planned use of total resources for the institutional budget decreases from 11.9 per cent to 10.5 per cent.

Integrated resource plan, 2014-2017

10. Table 1 (integrated resource plan, 2014-2017) provides information on the total available resources and the use of resources for all cost classification categories for 2014-2017. The table presents the integrated resource plan, 2014-2017 as approved by the Board (E/ICEF/2013/AB/L.4) and the revised integrated resource plan, 2014-2017.

Resources available

11. Total resources available in the originally approved plan were projected to be $18.6 billion, comprising $6.2 billion in RR and $12.4 billion in OR. The revised plan for 2014-2017 projects total available resources of $21.1 billion, of which $5.6 billion is RR and $15.5 billion is OR. The 13 per cent growth ($2.5 billion) in total available resources is comprised of a decrease of 10 per cent ($0.6 billion) in RR, offset by an increase of 25 per cent in OR ($3.1 billion).

12. Volatility in the currency markets has impacted the level of resources recorded in the past two years. The strengthening United States (US) dollar has negatively impacted the absolute levels of revenue recorded on non-US-dollar-based contributions. In 2015, due to the stronger US dollar, the impact on private sector contributions was approximately 15 per cent less US dollar revenue recorded.

13. UNICEF policy is to ensure the availability of RR equivalent to between three and six months of planned expenditure. This balance of available resources, also referred to as *working capital*, is considered prudent to ensure the continuity of programmes and other activities. Cash and other net assets represent available resources. Each year, UNICEF ensures that the cash balance complies with the minimum liquidity requirement. This has been the case to date and compliance is actively monitored throughout the budgeted period.

Use of resources

14. The approved plan forecasted total use of resources for 2014-2017 of $17.5 billion, comprising $5.9 billion RR and $11.6 billion OR (including cost recovery). The revised plan, 2014-2017 forecasts total use of resources of $19.9 billion, representing an increase of $2.4 billion (13 per cent) compared to the approved plan, 2014-2017.

15. Of the $19.9 billion, UNICEF proposes utilizing $17.6 billion for development activities (an increase of 15 per cent), $36.6 million for United Nations development coordination activities (unchanged), $1.4 billion for management activities (unchanged), and $734.1 million for special purpose activities (an increase of 7 per cent). Compared with the approved plan, 2014-2017, the proportion of total resources utilized for development activities in the revised plan is proposed to increase from 87.7 per cent to 88.9 per cent. The proportion of total resources utilized for management activities is proposed to decrease from 8.2 per cent to 7.2 per cent.

16. Within development activities, UNICEF proposes increasing the amount and proportion of resources available for programme from $14.8 billion (84.5 per cent) to $17.1 billion (86 per cent) from 2014 to 2017.

17. From the resources available for programmes, UNICEF proposes maintaining the approved budget of $180.0 million funded from RR and the approved ceiling of $528.4 million funded from OR for the Global and Regional Programme, 2014-2017, subject to the receipt of OR contributions.

18. UNICEF proposes maintaining the institutional budget at $2,094.5 million for 2014-2017. The institutional budget comprises the following resource requirements: $567.5 million for development effectiveness; $36.6 million for United Nations development coordination; $1,435.4 million for management; and $55.0 million for capital investments within special purpose.

19. Compared to the approved budget 2014-2017, the proportion of total resources utilized for the institutional budget is projected to decrease from 11.9 per cent to 10.5 per cent.

20. Of the $2,094.5 million institutional budget, $1,039.3 million is proposed to be funded from RR, $938.8 million from cost recovery from OR and $116.4 million from OR. Compared with the approved budget 2014-2017, the proportion of management activities funded from cost-recovery in the revised budget will increase from 54.8 per cent to 63 per cent. The proportion of RR available for programme activities in the revised budget is maintained at a similar level of 69.1 per cent as compared to initial plan of 69.6 per cent.

21. Consistent with the approved plan, UNICEF is including in the integrated budget and total use of resources, under special purpose activities, budgetary provisions for (a) private sector fundraising (PSFR); and (b) other amounts, including procurement services.

22. The resource requirements proposed under PSFR comprise the direct costs and investment costs supporting the fundraising and marketing activities of the National Committees for UNICEF and UNICEF country offices. The appropriation for these resource requirements is presented for approval by the Executive Board on an annual basis, in conjunction with the Private Fundraising and Partnerships workplan and budget. In response to a 2013 external audit recommendation to "consider presenting and reporting the budget for the PSFR activities of its country offices in an integrated manner", UNICEF included a provision of $43 million for 2016 funded from OR as part of its annual budget submission to the Executive Board in E/ICEF/2016/AB/L.1. A provision of $86.0 million funded from OR is included in the revised integrated resource plan to cover 2016 to 2017.

23. The authority to incur financial commitments for services provided by UNICEF, such as procurement services, is provided in the Financial Regulation on the administration and defrayal of costs of special accounts on behalf of others.

Sufficiency of reserves

24. UNICEF maintains reserves to fund its employee benefits liabilities, comprising after-service health insurance (ASHI) and end-of-service entitlements. At 31 December 2013, the actuarial value of these liabilities was $0.92 billion and accumulated reserves totalled $0.43 billion. As at 31 December 2015, provisional estimates show the actuarial liability at $1.12 billion and accumulated reserves at $0.48 billion. The accumulated reserves are projected to increase to $0.55 billion by 31 December 2017.

25. UNICEF continues to periodically monitor the strategy to fund the reserves in the longer term. This includes the accumulation of funds from payroll charges to the budgetary authorities and funding sources with which staff members are associated and, if year-end fund balances permit, an appropriate annual transfer of resources. In addition, UNICEF and a number of other United Nations agencies, including UNDP and UNFPA, have agreed to outsource the management of ASHI investments to two investment managers, which will contribute to increased funding for the ASHI reserve. UNICEF continues to actively fund the reserves, although it is important to note that changes in the funding deficit are mostly contingent on the results of the periodic actuarial valuation due to the sensitivity of the liability to this exercise.

Table 1
Integrated resource plan, 2014-2017

	Approved 2014-2017							*Revised 2014-2017*						
			Other resources							*Other resources*				
	Regular resources		*Programmes*	*Cost recovery*	*Total resources*		*Trust funds*	*Regular resources*		*Programmes*	*Cost recovery*	*Total resources*		*Trust funds*
	$m	*%*	*$m*	*$m*	*$m*	*%*	*$m*	*$m*	*%*	*$m*	*$m*	*$m*	*%*	*$m*
1. Resources available														
Opening balance	661.5		1 799.7	–	2 461.2		622.5	575.3		1 853.1	–	2 428.4		586.0
Income														
Contributions	5 353.0		10 616.0	–	15 969.0		–	4 697.7		13 685.7	–	18 383.4		–
Other income	280.0		32.0	–	312.0		–	402.5		–	–	402.5		–
Total income	5 633.0		10 648.0	–	16 281.0		–	5 100.2		13 685.7	–	18 785.9		–
Trust Fund receipts	–		–	–	–		7 432.0	–		–	–	–		7 577.0
Tax reimbursement adjustment	(96.0)		–	–	(96.0)		–	(76.6)		–	–	(76.6)		–
Total available	**6 198.5**		**12 447.7**	**–**	**18 646.2**		**8 054.5**	**5 598.9**		**15 538.8**	**–**	**21 137.7**		**8 163.0**
2. Use of resources														
A. Development														
A.1 Programmes	4 091.0	*69.6*	10 713.6	–	14 804.6	*84.5*	7 432.0	3 651.8	*69.1*	13 429.1	–	17 080.9	*86.0*	7 333.0
A.2 Development effectiveness	467.4	*8.0*	100.1	–	567.5	*3.2*	–	467.4	*8.8*	100.1	–	567.5	*2.9*	–
Subtotal	**4 558.4**	*77.6*	**10 813.7**	**–**	**15 372.1**	*87.7*	**7 432.0**	**4 119.2**	*77.9*	**13 529.2**	**–**	**17 648.4**	**88.9**	**7 333.0**
B. United Nations development coordination	20.3	*0.3*	16.3	–	36.6	*0.2*	–	20.3	*0.4*	16.3	–	36.6	*0.2*	–
C. Management														
C.1 Recurring	642.2	*10.9*	–	774.2	1 416.4	*8.1*	–	524.2	*9.9*	–	892.2	1 416.4	*7.1*	–
C.2 Non-recurring	6.5	*0.1*	–	12.5	19.0	*0.1*	–	7.0	*0.1*	–	12.0	19.0	*0.1*	–
Subtotal	**648.7**	*11.0*	**–**	**786.7**	**1 435.4**	*8.2*	**–**	**531.2**	*10.0*	**–**	**904.2**	**1 435.4**	*7.2*	**–**

	Approved 2014-2017							Revised 2014-2017						
			Other resources							Other resources				
	Regular resources		Programmes	Cost recovery	Total resources		Trust funds	Regular resources		Programmes	Cost recovery	Total resources		Trust funds
	$m	%	$m	$m	$m	%	$m	$m	%	$m	$m	$m	%	$m
D. Special purpose														
D.1 Capital investments	18.7	*0.3*	–	36.3	55.0	*0.3*	–	20.4	*0.4*	–	34.6	55.0	*0.3*	–
D.2 Private sector fundraising	454.0	*7.7*	–	–	454.0	*2.6*	–	410.6	*7.8*	86.0	–	496.6	*2.5*	–
D.3 Other	174.1	*3.0*	–	–	174.1	*1.0*	–	182.5	*3.4*	–	–	182.5	*0.9*	–
Subtotal	**646.8**	***11.0***	**–**	**36.3**	**683.1**	***3.9***	**–**	**613.4**	***11.7***	**86.0**	**34.6**	**734.1**	***3.7***	**–**
Institutional budget (A.2+B+C+D.1)	1 155.1	*19.7*	116.4	823.0	2 094.5	*11.9*	–	1 039.3	*19.4*	116.4	938.8	2 094.5	*10.5*	–
Integrated budget (A+B+C+D)	5 874.2	*100.0*	10 830.0	823.0	17 527.3	*100.0*	7 432.0	5 288.0	*100*	13 631.5	938.8	19 854.4	*100.0*	7 333.0
3. Closing balance of resources	324.3		794.6		1 118.9		622.5	314.7		902.5		1 283.3		

Note: Due to rounding, the totals may differ slightly from the sum of the columns.

III. Integrated results and resources framework

26. The UNICEF Strategic Plan, 2014-2017 remains the single results framework for UNICEF. Table 1 (integrated resource plan, 2014-2017) provides information on the use of resources by cost classification category. Table 2 (integrated results and resources framework, 2014-2017) identifies how total resources available to the organization were initially planned and subsequently revised for each of the outcomes and results.

27. In the past two years, substantive changes have been made in realigning headquarters functions, confirming responsibilities of field offices, strengthening regional office capacities, simplifying work processes and establishing the Global Shared Services Centre, implementing matrix management, and leveraging technology and innovation, as well as improvements in managing human resources. These developments are noted in the results and cluster comments below and additional details on results achieved and progress against planned targets are provided in the report on the midterm review of the Strategic Plan, 2014-2017 and annual report of the Executive Director, 2015 (E/ICEF/2016/6) and its addenda.

Table 2

Integrated results and resources framework, 2014-2017

Outcome/result	Functional cluster	Original 2014-2017				Revised 2014-2017			
		Regular resources	Other resources: Programme	Other resources: Cost recovery	Total resources	Regular resources	Other resources: Programme	Other resources: Cost recovery	Total resources
		$m	$m	$m	$m	$m	$m	$m	$m
Programmes		**4 091.0**	**10 713.6**	**–**	**14 804.6**	**3 651.8**	**13 429.1**	**–**	**17 080.9**
P1 Improved and equitable use of high-impact maternal and child health interventions from pregnancy to adolescence and promotion of healthy behaviours.		1 227.3	2 918.0	–	4 145.3	1 022.5	3 760.2		4 782.7
P2 Improved and equitable use of proven HIV prevention and treatment interventions by children, pregnant women and adolescents.		245.4	494.8	–	740.2	182.6	671.4		854.0
P3 Improved and equitable use of safe drinking water, sanitation, healthy environments and improved hygiene practices.		450.0	1 770.7	–	2 220.7	547.8	2 014.4		2 562.1
P4 Improved and equitable access to and use of nutritional support and improved nutrition and care practices		327.3	1 153.2	–	1 480.5	365.2	1 342.9		1 708.1
P5 Improved learning outcomes and equitable and inclusive education		654.6	2 306.3	–	2 960.9	730.4	2 685.8		3 416.2
P6 Improved and equitable prevention of and response to violence, abuse, exploitation and neglect of children		490.9	1 285.6	–	1 776.5	438.2	1 611.4		2 049.6

Outcome/result	Functional cluster	Original 2014-2017				Revised 2014-2017			
			Other resources				Other resources		
		Regular resources	Programme	Cost recovery	Total resources	Regular resources	Programme	Cost recovery	Total resources
		$m	$m	$m	$m	$m	$m	$m	$m
P7 Improved policy environment and systems for disadvantaged and excluded children, guided by improved knowledge and data		**695.5**	**785.0**	**–**	**1 480.5**	**365.2**	**1 342.9**		**1 708.1**
Organizational effectiveness and efficiency									
1 Higher quality programmes through results-based management		**467.4**	**100.1**	**–**	**567.5**	**467.4**	**100.1**	**–**	**567.5**
	Technical excellence in policy and programmes	394.1	84.7	–	478.8	394.1	84.7	–	478.8
	Technical excellence in procurement and management of supplies	47.5	5.4	–	52.9	47.5	5.4	–	52.9
	Technical excellence in humanitarian action	25.8	10.0	–	35.8	25.8	10.0	–	35.8
2 Improved management of financial and human resources in pursuit of results		**648.7**	**–**	**786.7**	**1 435.4**	**531.2**	**–**	**904.2**	**1 435.4**
	Independent corporate oversight and assurance	17.6	–	21.3	38.9	14.4		24.5	38.9
	Corporate financial, information and communication technology and administrative management	93.7	–	113.6	207.3	76.7		130.6	207.3
	Corporate external relations and partnerships, communications and resource mobilization	97.9	–	118.8	216.7	80.2		136.5	216.7

Outcome/result	Functional cluster	Original 2014-2017				Revised 2014-2017			
			Other resources				Other resources		
		Regular resources	Programme	Cost recovery	Total resources	Regular resources	Programme	Cost recovery	Total resources
		$m	$m	$m	$m	$m	$m	$m	$m
	Corporate human resources management	48.4	–	58.7	107.1	39.6		67.5	107.1
	Corporate leadership and direction	25.8	–	31.2	57.0	21.1		35.9	57.0
	Staff and premises security	6.0	–	7.3	13.3	4.9		8.4	13.3
	Field/country office oversight, management and operations support	359.3	–	435.8	795.1	294.2		500.9	795.1
3 Coordination of the United Nations Development System		**20.3**	**16.3**	**–**	**36.6**	**20.3**	**16.3**	**–**	**36.6**
	United Nations coherence and cluster coordination	20.3	16.3	–	36.6	20.3	16.3	–	36.6
Special purpose		**646.8**	**–**	**36.3**	**683.1**	**613.4**	**86.0**	**34.6**	**734.1**
Capital investments		18.7	–	36.3	55.0	20.4	–	34.6	55.0
Private sector fundraising		454.0	–	–	454.0	410.6	86.0	–	496.6
Other, including procurement services		174.1	–	–	174.1	182.5	–	–	182.5
Total use of resources		**5 874.2**	**10 830.0**	**823.0**	**17 527.3**	**5 284.1**	**13 631.5**	**938.8**	**19 854.4**

Note: Due to rounding, the totals may differ slightly from the sum of the columns.

Allocation of resources to programme outcomes

28. As described above, the proportions by outcome area during 2014-2017 will remain as presented to the Executive Board at the start of the Strategic Plan: health will continue to receive 28 per cent of total programme investment; HIV and AIDS, 5 per cent; water, sanitation and hygiene (WASH), 15 per cent; nutrition, 10 per cent; education, 20 per cent; child protection, 12 per cent; and social inclusion, 10 per cent.

Country programmes

29. Of the $17.1 billion available for programmes during 2014-2017 in the revised plan, UNICEF proposes channelling $16.4 billion, or 96 per cent, through country programmes of cooperation as compared to 95 per cent in the original plan.

30. Regular resources are allocated to individual country programmes of cooperation according to the modified system for allocation of regular resources for programmes approved by the Executive Board, with an emphasis on three core criteria: (a) under-five mortality rate; (b) gross national income per capita; and (c) child population.

31. The Executive Board approves indicative budgets for OR (regular) when approving country programme documents or equivalent, while OR (emergency) are programmed according to need.

Global and Regional Programme

32. UNICEF has maintained the global and regional budget as originally approved, funded $180.0 million from RR and $528.4 million from OR. The Global and Regional Programme contributes to each of the Strategic Plan's seven outcome areas by: (a) creating and disseminating global and regional public goods, including monitoring and analysing the situation of children for global accountability; (b) contributing to and strengthening relevant global and regional policy and coordination systems; and (c) contributing to the relevant global evidence base and normative guidelines. The Global and Regional Programme is integrated within the Strategic Plan and related results and resources framework. Global and regional programme resources are implemented by each of the seven UNICEF regional offices as well as relevant headquarters divisions and offices, including Programme; Data, Research and Policy; Supply; Evaluation; Emergency Programmes; and Communications.

Allocation of resources to organizational effectiveness and efficiency results

33. Resources for the organizational effectiveness and efficiency results are allocated in accordance with the harmonized cost classification and results-based budgeting presented at the 2011 first regular session and approved by the Executive Board in decision 2011/6.

34. Resources allocated to organizational units are grouped into functional clusters, which provide the link between results and resources. The functional clusters for management activities are harmonized among UNDP, UNFPA and UNICEF. Development effectiveness activities are more closely associated with the programme outcomes and delivery modalities of each of the agencies and are therefore not harmonized among the agencies.

35. Within UNICEF, resources for development effectiveness are allocated to three functional clusters: technical excellence in policy and programmes; technical excellence in humanitarian action; and technical excellence in procurement and management of supplies.

36. The paragraphs below provide a summary update by organizational effectiveness and efficiency result and functional cluster.

Result 1: Higher quality programmes through results-based management

Cluster:	Technical excellence in policy and programmes
Resources:	$478.8 million

37. Comprising the Programme Division, the Division of Data, Research and Policy (DRP), the Field Results Group (FRG) and the technical advisers in regional offices, this cluster is responsible for programme policy, guidance tools, technical support and quality assurance for the achievement of the seven programme outcomes of the Strategic Plan, including programmatic elements of the Gender Action Plan. The cluster draws on research results, lessons from evidence-based interventions and insights from practical programming experience.

38. The Field Results Group was established in late 2014 following approval by the Executive Board of the establishment of the post of Deputy Executive Director for Field Results. The Group has brought significant refinements to UNICEF country-level programming, monitoring and reporting and will continue to roll these out in 2016 and 2017. Working with DRP and other headquarters divisions and regional offices, FRG has developed an organization-wide skill development programme for results-based management.

39. The Group had led the significant improvements in the application of the harmonized approach to cash transfers (HACT) realized in 2015, and is now expanding this approach to more broadly strengthen the management of UNICEF engagement with implementing partners in all offices.

40. In 2015, UNICEF launched the Transparency Portal <http://Open.UNICEF.org>, which provides public access to a wide range of programme and financial data. This important advance in the organization's commitment to transparency has also led to the development of the eTools suite of software applications to support country office management of partnerships and programme monitoring.

Cluster:	Technical excellence in procurement and management of supplies
Resources:	$52.9 million

41. The strategic priorities of the Supply Division (SD) continue to be to ensure optimally efficient supply chains, provide timely and effective service delivery, including for emergencies, programmes and procurement services partners, and achieve targeted outputs that will have a significant impact on programme outcomes.

42. Engagement by the division in specific projects supporting supply chain strengthening, innovation and innovative financing initiatives to support programmatic work and outputs helped countries to address cash flow timing gaps. This facilitated timely delivery of health campaigns, by arranging more than $80 million pre-financing over the past two years and structuring special contracting arrangements that generated substantial financial savings on vaccines purchases of more than $240 million in 2014. In 2015, SD embarked on a normative financing initiative involving the private sector and ministries of health and finance from countries in sub-Saharan Africa, with the goal of supporting the expansion of government budgets dedicated to developmental objectives.

Cluster:	**Technical excellence in humanitarian action**
Resources:	**$35.8 million**

43. The Strategic Plan includes a strengthened focus on humanitarian action, including enhanced dedicated capacity for effective preparedness for response and early recovery to save lives and protect rights, as defined in the Core Commitments for Children in Humanitarian Action, as well as to address underlying causes of vulnerability to disasters, fragility and conflict through responses to humanitarian crises and through regular programmes.

44. UNICEF and partners responded to 294 humanitarian situations of varying scale in 98 countries in 2014. In 2015, UNICEF responded to 310 humanitarian situations in 102 countries, the largest number of countries ever and comprising 65 per cent of UNICEF country offices. This is the highest number of humanitarian situations since 2005, when UNICEF began surveying country offices.

45. The first two years of the Strategic Plan included a focus on testing the procedures that UNICEF had put in place to respond to large-scale emergencies, making internal adjustments and informing the inter-agency response. The Strengthening Humanitarian Action initiative increased the effectiveness of organizational adaptations, including expanding standing capacity and attracting national staff into the pool of surge staff; making greater investments in humanitarian learning; and revisions to UNICEF procedures and benchmarking approaches to better manage protracted crises, particularly conflict. The Emergency Programme Fund (EPF) disbursed about $105 million in 2014-2015, with no-regrets allocations to several major emergencies in 2014 pushing the biennial ceiling and prompting a request from UNICEF to the Executive Board in 2015 to increase the ceiling to $75 million annually.

Result 2: Improved management of financial and human resources in pursuit of results

Cluster:	**Independent corporate oversight and assurance**
Resources:	**7.3 million — Evaluation Office**
	$31.6 million — Office of Internal Audit and Investigations

46. In line with the revised evaluation policy of UNICEF, the Evaluation Office oversees the corporate evaluation function, including implementation of evaluation activities by decentralized organizational units.

47. For the period under review, with additional resources available through the Global and Regional Programme framework, the Evaluation Office was able to support the implementation of the revised evaluation policy, in particular by strengthening the independence of the Evaluation Office. The increase in predictable funding allowed the Evaluation Office to undertake medium-term planning as well as provided a basis for attracting OR to complement the core resources.

48. The incremental funding enabled the Evaluation Office to sustain its oversight of the function across UNICEF, including monitoring and support of activities at decentralized levels, and to plan the programme of global thematic evaluations for the four years of the UNICEF Strategic Plan, 2014-2017. Implementation of the programme of global thematic evaluations has been successfully carried forward, although some evaluations fell behind schedule and a number of planned evaluations were replaced by evaluations of UNICEF responses to major humanitarian emergencies over the past two years. Innovative methodological approaches were adopted for some evaluations, notably in an evaluability assessment of the UNICEF Strategic Plan. The Evaluation Office was also able to engage in several inter-agency evaluations and provided enhanced support to the United Nations Evaluation Group. The Evaluation Office also provided substantial support to the United Nations Independent System-Wide Evaluation Mechanism.

49. The Office of Internal Audit and Investigations continued to review and strengthen the UNICEF internal control framework, contributed to improved organizational management of fraud risks and, through assessment and capacity-building activities, to reducing the occurrence of fraud and loss, and further promoted transparency. Thirty-eight internal audit reports were issued during 2015, including 577 recommendations related to governance, programme management and operational support. During the year, 101 investigation cases were closed, 66 per cent within 9 months of receipt of the allegation.

Cluster:	Corporate financial, information and communication technology and administrative management
Resources:	$207.3 million

50. The Division of Financial and Administrative Management during 2014-2017 continues to focus on the preparation, reporting and interpretation of comprehensive financial and administrative information for external and internal stakeholders. The information will help to promote the efficient and effective use of resources, instill cost consciousness and inform decision-making based on value for money, facilitate improved governance, risk management and compliance activities, and ensure the provision of timely and appropriate advice on effectiveness and efficiency improvement initiatives, including with respect to structural changes. As a result of the common SAP platform and clear reporting guidelines based on the International Public Sector Accounting Standards (IPSAS), more effective donor reporting and

improved cash management and treasury systems have been implemented over the past two years.

51. As part of the four-year information and communication technology (ICT)-enabled investment portfolio, roll-out and implementation of ICT-enabled projects was supported, such as a model for remotely supported field offices, a new platform for the UNICEF digital presence worldwide, internal and external business intelligence dashboards in support of transparency initiatives informed by the International Aid Transparency Initiative, and cloud-based user productivity tools to support the "bring your own device" paradigm shift. Information and communication technology architectural build-out support was provided to support the establishment and functioning of the Global Shared Services Centre (GSSC).

52. The UNICEF ICT function is adjusting its strategy to realign its resources to a business- partnership-driven service organization. This change is mainly driven by new demands on the ICT function to expand its activities beyond support for back office, core business systems, to also provide externally focused ICT-enabled solutions for programme effectiveness.

Cluster:	Corporate external relations and partnerships, communications and resource mobilization
Resources:	$216.7 million

53. The Public Partnerships Division (PPD) continued to strengthen engagement with the public sector. Supporting activities include communicating and advocating for organizational priorities, including donor visibility and the critical importance of RR, supporting quality improvements in reporting to donors on the use of resources and organizational performance, developing approaches and frameworks for South-South or horizontal cooperation and for relationships with emerging donors, and exploring possibilities for public-private partnerships to mobilize resources and build capacity in programme countries.

54. As part of the realignment of headquarters' functions, in 2014 the Governance, United Nations and Multilateral Affairs Division was dissolved and its functions integrated into PPD. The team in PPD continues to lead the strategic engagement with Member States at country, regional and global levels, ensuring that the rights and well-being of children remain high on the development agenda, as well as advancing the United Nations coherence and reform agendas.

55. The Division of Communication (DOC) remains anchored to its core function of achieving the external relations goals of the UNICEF Strategic Plan, 2014-2017: to engage the public on children's rights and children's issues globally and to safeguard the UNICEF brand to ensure ongoing public trust and confidence in the work of the organization.

56. The work of DOC is aligned to one overarching outcome with four outputs that relate to the new structure of the divisions' assets and talents. Emphasis is placed on reinforcement of digital and public engagement through integration of external media platforms, brand building and a refocused advocacy function.

57. The Private Fundraising and Partnerships (PFP) Division is responsible for the strategic framework for UNICEF engagement with the National Committees. Included in this functional cluster are costs related to the continued reinforcement of the relationship with National Committees as well as private sector strategy development and implementation. The resources supporting specific National Committee fundraising activities are included under special purpose.

58. The Division underwent a significant restructuring in 2014 to align with the UNICEF Private Fundraising and Partnerships Plan 2014-2017. Following a decision in 2013 to discontinue all in-house operations and move to licensing and national production of UNICEF-branded cards and products, PFP closed the cards and products operation in 2015.

Cluster:	Corporate human resources management
Resources:	$107.1 million

59. The Division of Human Resources continues to address the evolving structural changes and consequent impact on staffing profiles anticipated across the organization, including as a result of countries graduating to middle-income status, effectiveness and efficiency initiatives, the requirement to reform the conditions of service and the systems that support human resource management in the United Nations system, and the maintenance of staff well-being, especially in critical incidents. The Division is pursuing key human resources initiatives that focus on outcomes and results, with the aim of achieving organizational excellence by transforming the function from an operational partner to a strategic player.

60. Recruitment activities are prioritized by leveraging more efficient and effective approaches to recruitment, including the use of direct selection based on generic vacancy announcements, and use of the New and Emerging Talent Initiative and the Junior Professional Officer Programme to attract, source and manage talent. Other activities include career development and learning, the establishment of a corporate framework for staff well-being and the provision of timely psychosocial support to staff members. A talent management system for e-recruitment has been launched and a new performance management tool (Achieve) will be rolled out to all UNICEF staff worldwide in 2016.

Cluster:	Corporate leadership and direction
Resources:	$57.0 million

61. The strategic approach of the Office of the Executive Director (OED) is to develop and maintain improved oversight, management and communications processes to provide leadership and executive direction in the areas of (a) innovation for development; (b) advocacy and communications, mobilizing global commitments and political will; (c) partnerships, engaging with partners, donors and societies in the changing development context; and (d) organizational performance, optimizing management structures, functions and systems based on consultative, transparent and risk-informed processes.

62. The establishment in 2014 of the fourth Deputy Executive Director for Field Results contributed to organizational initiatives to strengthen management for results through an increased focus on the coordination and guidance of regional and country office initiatives, including programme execution and HACT. At the same time, OED realigned a number of headquarters functions to better manage for results (e.g. bringing the Office of Emergency Programmes (EMOPS) and the Programme Division under one cone reporting to the same Deputy Executive Director).

Cluster:	**Staff and premises security**
Resources:	**$13.3 million**

63. The Office of Emergency Programmes coordinates UNICEF global security activities in close consultation with the United Nations Department of Safety and Security and other United Nations security management entities. Key activities include monitoring and assessing global threats and risks, providing guidance on security risk management, and developing policies and procedures aimed at creating an enabling environment for successful programme delivery, while maintaining the safety and security of UNICEF staff and assets. The Operations Centre supports this function for staff at all locations.

64. In the context of a worsening global security environment, the UNICEF Office of the Security Coordinator (OSC) continued to provide strategic security advice and analysis to senior management throughout 2014 and 2015 in the Syrian Arab Republic, Yemen and other countries experiencing complex emergencies; forecasts for potential emergencies, such as in Burundi and Guinea; and the recruitment of security advisers in Burundi, Chad, the Democratic Republic of the Congo, Iraq and Yemen.

65. Through participation in key inter-agency forums and five Inter-Agency Security Management Network missions, the OSC continued to engage with the United Nations Security Management System (UNSMS) to influence policy, processes and training to ensure that security directives align with the UNICEF mission. In the Democratic Republic of the Congo, Djibouti, Kenya and Somalia, EMOPS assisted in field-testing of a new security risk management e-tool, which was rolled out to all United Nations duty stations in December 2015.

Cluster:	**Field/country office oversight, management and operations support**
Resources:	**$795.1 million**

66. Senior leaders in each country and region contribute to the delivery of this result through representation and cooperation with national and local leaders, partner organizations, and experts from other agencies and regional intergovernmental groups advocating for children's rights, especially the most vulnerable, poor and marginalized, and through the effective and efficient use of resources made available to support programme delivery.

67. The approved allocation of $20 million for HACT has contributed to establishing capacity for improved governance, risk management and assurance activities for cash assistance transferred to implementing partners. Significant improvements in application of HACT were realized in 2015, and this approach is now expanding to more broadly strengthen the management of UNICEF engagement with implementing partners in all offices.

68. With the establishment of the GSSC in Budapest, much of the finance- and human resources-related transactional work is shifting from field and headquarters offices to the GSSC. This shift is providing an opportunity to review UNICEF office structures and staffing typologies to adapt to the changing programme-support requirements and how these are funded. The results of this review will be implemented in a phased manner and will inform the development of Strategic Plan, 2018-2021 and supporting integrated budget.

Result 3: Coordination of the United Nations Development System

Cluster:	United Nations coherence and cluster coordination
Resources:	$36.6 million

69. The Office of Emergency Programmes is responsible for the coordination of partners for the WASH, nutrition and education humanitarian clusters, along with areas of responsibility at the global level in child protection and preventing gender-based violence (GBV). In addition, EMOPS is responsible for establishing inter-agency humanitarian partnerships, developing humanitarian policies, and providing operational support and building capacity for timely and predictable responses to crises.

70. From 2014 to 2015, UNICEF-led or co-led cluster/area of responsibility rapid response teams contributed nearly 5,000 man-days of support to countries for coordination and information management, including responses to all Level 3 crises in 2014 and direct field support in 2015 to Afghanistan, the Central African Republic, Chad, Iraq, Liberia, Malawi, Nepal, Nigeria, Serbia, Sierra Leone, Somalia, South Sudan, the Syrian regional response, Ukraine and Yemen. Inter-cluster missions were also carried out in 2015 to explore strengthening coordination mechanisms for the Central African Republic, Nigeria and the Syrian regional response.

71. Also included in this cluster is an allocation of $14.0 million, representing the UNICEF contribution to the United Nations Resident Coordinator System, which seeks to ensure sufficient and sustainable resourcing for United Nations development system coordination.

Special purpose

72. The approved special purpose resource requirements totalled $683.1 million, comprising capital investments of $55.0 million, PSFR activities of $454.0 million, and other amounts, including $174.1 million for the management of procurement services. The revised plan proposes $734.1 million for special purpose activities, a total increase of $51 million, with $8.4 million in support of procurement services and a net increase of $42.6 million to support PSFR activities, with an allocation of

$86 million of OR and a decrease of $43.4 million in the use of RR for PSFR activities.

Cluster:	Capital investments
Resources:	$55.0 million

73. A total of $30.0 million was approved for investment in technology-supported organizational solutions, spanning efficiency gains, better business intelligence, robust repositories of knowledge and externally facing tools that increase dynamics and interactivity for advocacy and partnering. Implementation of these solutions is under way, covering the areas of: (i) knowledge management; (ii) human capital management; (iii) web content management; (iv) records and case management; (v) enhancements to VISION (the UNICEF Enterprise Resource Planning system); and (vi) ICT core support technology. Any additional resources required to complete and maximize the potential benefits from these projects will be managed and absorbed from within the approved institutional budget.

74. Of the $25.0 million approved for field office security and premises improvements, more than $10 million has been allocated to regional and country offices to support compliance with the Minimum Operating Security Standards. The use of these resources will continue to focus on (a) systematic identification of vulnerable offices; (b) prioritization of security investments or relocation requirements; and (c) reduced capital repair and maintenance costs.

Cluster:	Private sector fundraising
Resources:	$496.6 million

75. Included in special purpose, under PSFR, are the activities and estimated resource requirements of PFP to support the specific PSFR initiatives and research and development projects of the National Committees and UNICEF country offices. The activities related to implementation of the UNICEF Private Fundraising and Partnerships Plan 2014-2017 and the appropriation for the related resource requirements are presented for approval by the Executive Board on an annual basis.

76. Among the key achievements made by PFP in 2014-2015 were: $1,231 million and $1,313 million in revenue raised by the end of 2014 and 2015 (provisional), respectively, of which $553 million in 2014 and $550 million in 2015 were RR and $678 million in 2014 and $863 million in 2015 were OR.

Cluster:	Other, including procurement services
Resources:	$182.5 million

77. Also included in special purpose, under "Other", are the activities and estimated resource requirements covered by Financial Regulations 5.1 to 5.3 on special accounts administered by UNICEF and related administration costs. The

results and estimated resource requirements are provided for information in the integrated resource plan, 2014-2017 and the integrated results and resources framework, 2014-2017. These activities currently comprise the administration of procurement services and of the Office of the Special Representative of the Secretary-General on Violence against Children.

78. The Supply Division administers procurement services on behalf of Governments and other partners to complement UNICEF programmes. These services provide partners with economical access to selected products, which allows them to leverage programmatic results. These procurement services totalling $1.65 billion and $1.75 billion were provided in 2014 and 2015, respectively. For 2016-2017, the annual procurement services is forecasted to remain around $1.8 billion, including approximately $1.2 billion for Gavi, the Vaccine Alliance. While the amount is relatively steady, there are a few shifts, including a decrease in procurement of antiretroviral medicines for recipients of the Global Fund to Fight AIDS, Tuberculosis and Malaria, and an increase in cold chain procurement as Governments modernize and expand their capacity. In support of these developments, Gavi, the Vaccine Alliance has established a cold chain equipment fund of $200 million for the period 2016 to 2020. This fund requires co-financing by Governments, which could bring the total expenditure on cold chain via the fund to nearly $250 million over the period. Gavi, the Vaccine Alliance has asked UNICEF to be the procurement agency for the initiative.

79. From 2014 to 2015, UNICEF hosted and provided administrative services to the Office of the Special Representative of the Secretary-General on Violence against Children. This support is now gradually being assumed by the United Nations.

IV. Institutional budget

80. The institutional budget for 2014-2017 of $2,094.5 million under the revised integrated resource plan remains unchanged compared to the approved institutional budget for 2014-2017. Structural and post changes as well as realignment of results and resources are being managed within the approved institutional budget ceiling of $2,094.5 million.

81. The structure funded by the institutional budget supports a fairly significant increase in programme throughput of 15 per cent, from $14.8 billion in the approved plan, 2014-2017 to $17.1 billion in the revised plan, 2014-2017. This has partly been made possible through efficiency gains achieved through revisions to systems and processes, including maximizing the use of ICT tools, including ERP. At the same time, there is a recognition that the current institutional budget funding model needs to be revisited, since it does not allow UNICEF to expand its corporate support structure capacity to strengthen oversight, risk management and technical guidance to adequately accompany the growth in programme delivery.

82. In preparation for the next strategic plan 2018-2021 and accompanying integrated budget, UNICEF will review the current funding model of the institutional budget and build on the experience of UNDP, UNFPA and WFP, including looking at ways to further enhance results-based budgeting.

Overview of post changes

83. The total number of posts included in the institutional budget, 2014-2017 has increased by 187 since 2014, from 2,792 to 2,979 posts, as a result of emerging priorities in UNICEF operations and in response to increasing humanitarian crises and emergencies.

84. The flexibility to establish 10 additional senior posts at Director ("D") level is sought in order to provide the Executive Director with the means to swiftly address the organization's emerging business needs in two areas:

(a) The ability to respond to changing circumstances in programme countries by allowing for the upgrade of Representative posts when the increasing complexity of the portfolio warrants (i.e. in complex emergency situations).

(b) The ability to create a cadre of highly technical D-level posts in UNICEF core business areas (health, education, WASH, child protection, etc.) in order to attract and retain senior-level top talent and expertise for these critical functional areas.

V. Cost recovery

85. The integrated budget, 2014-2017 was prepared using the cost-recovery methodology and rates approved in Executive Board decision 2013/5.

86. The intention of the methodology and rate changes was to improve the proportional use of RR and OR to fund management activities and related costs. Cost-recovery information presented in table 3 below confirms progress made in this regard.

87. The update to table 3 (application of the revised cost-recovery methodology) provides information on the actual implementation and results using the revised cost-recovery methodology during the first half of the budgetary period (2014-2015), as compared to the projections. During the reporting period, 18 per cent of the institutional budget, subject to cost recovery, was funded from RR, with the balance of 82 per cent funded from OR. This proportionality of 18/82 of use of RR and OR/cost recovery, respectively, to fund the institutional budget is similar to the proportionality of total expenditure 22/78 — 22 per cent RR and 78 per cent OR.

88. The UNICEF effective cost recovery rate for the biennium 2014-2015 of 6.4 per cent is lower than the projected cost-recovery rate for 2014-2017 of 7.6 per cent. This is expected, given: (a) the approval of differentiated cost-recovery rates, including for thematic and private sector contributions; and (b) the fact that a higher proportion of expenditure in 2014-2015 was against contributions received/agreements signed prior to the introduction of the new cost recovery rates.

89. An independent and external assessment on the consistency and alignment of the cost-recovery methodology, as requested in Executive Board decision 2013/5, will provide further information on the application of the cost-recovery methodology and rates. A joint report will be presented at the 2016 second regular session of the Executive Boards of UNDP, UNICEF, UNFPA and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

Table 3
Application of the revised cost-recovery methodology

	Approved, 2014-2017			*Actuals, 2014-2015*		
	Regular resources (RR) $m	*Other resources (OR) $m*	*Total resources $m*	*Regular resources (RR) $m*	*Other resources (OR) $m*	*Total resources $m*
Total expenditure	**5 874.2**	**11 653.1**	**17 527.3**	**2 209.3**	**7 872.3**	**10 081.5**
Proportional use of RR and OR to fund integrated budget	*34%*	*66%*	*100%*	*22%*	*78%*	*100%*
Total institutional budget			2 094.5			910.6
Less: Development effectiveness activities			567.5			242.3
Less: United Nations development coordination activities			36.6			14.4
Less: Critical cross-cutting functions			220.0			73.4
Total institutional budget subject to cost recovery			**1 270.4**			**580.4**
Institutional budget — subject to cost recovery	**447.4**	**823.0**	**1 270.4**	**103.9**	**476.5**	**580.4**
Proportional use of RR and OR to fund institutional budget	*35%*	*65%*	*100%*	*18%*	*82%*	*100%*
Expenditure (excluding cost recovery)		10 830.0			7 395.8	
Cost recovery		**823.0**			**476.5**	
Effective cost-recovery rate		***7.6%***			***6.4%***	

VI. Reporting on implementation of the integrated budget

90. Given its reliance on voluntary contributions, UNICEF has established regular internal reporting processes that include continuous and rigorous review of the income and expenditure projections that form the basis of the integrated resource plan.

91. UNICEF will continue to report to the Executive Board, at its annual session, on the fulfilment of the results articulated in the Strategic Plan in the annual report of the Executive Director and, at its second regular session, on actual financial performance (in a format similar to the integrated resource plan) in the annual revision of the UNICEF Strategic Plan: updated financial estimates.

92. Since 2012, summary financial reporting (in a format similar to the integrated resource plan) based on the statement of comparison of budget and actual amounts and in compliance with IPSAS, has also been included in the UNICEF financial statements.

VII. Draft decision

93. The following draft decision is included for consideration by the Executive Board:

The Executive Board

1. *Welcomes* the midterm review of UNICEF integrated budget, 2014-2017, in response to the request of the Executive Board in its decision 2013/20;

2. *Approves* the revised integrated resource plan as the financial framework for the Strategic Plan, 2014-2017, based on projections of resources available, utilization and working capital required for liquidity;

3. *Notes and approves* the proposal made by UNICEF to maintain the following budgets as initially approved in decision 2013/20:

(a) For the Global and Regional Programme, a budget from regular resources of $180.0 million, subject to the availability of resources, and a ceiling from other resources of $528.4 million, subject to the receipt of contributions to other resources, for 2014-2017;

(b) An appropriation for the institutional budget, 2014-2017, of $1,978.1 million to cover the costs of development effectiveness, United Nations development coordination, management activities and, within special purpose activities, capital investments, and notes the revised projected funding for the appropriation is $1,063.7 million from regular resources and $914.4 million from cost recovery from other resources;

(c) In addition to the appropriation of $1,978.1 million, the projected funding for the institutional budget of $116.4 million, from other resources, for development effectiveness and United Nations development coordination, subject to the receipt of contributions to other resources;

4. *Notes*, within special purpose activities, the projected utilization of resources for:

(a) The amounts required in accordance with the Financial Regulations of UNICEF to defray the costs of UNICEF administration of special accounts on behalf of others, including procurement services and the Office of the Special Representative of the Secretary-General on Violence against Children;

(b) Private sector fundraising, for which budgets will be submitted annually for consideration and approval by the Executive Board at its first regular session;

5. *Requests* the Executive Director to:

(a) Provide actual financial information in the format of the integrated resource plan and to assess performance against the integrated budget in his annual report to the Executive Board;

(b) Submit to the Executive Board for approval annually at its second regular session an updated integrated resource plan, following review of the financial projections on which the plan is based;

6. *Notes* the information provided on the actual implementation of the revised cost-recovery methodology; and

7. *Requests* that UNICEF, in collaboration with UNDP, UNFPA and UN-Women, carry out an independent and external assessment in 2016 on the consistency and alignment of the new cost-recovery methodology with General

Assembly resolution 67/226 and present the findings at the 2016 second regular session of the Executive Board.

8. *Notes* the justification provided for the establishment of an additional 10 senior-level positions; and

9. *Approves* that authority is given to the Executive Director to establish 10 additional senior-level positions, to be funded from within the approved institutional budget for 2014-2017.

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I. Executive summary

1. The Office of Internal Audit and Investigations (OIAI) provides UNICEF with independent and objective assurance and advisory services and investigations.

2. Internal audits performed by OIAI help UNICEF to improve its programmatic and other activities, to increase transparency and to strengthen accountability for the efficient and effective use of resources to achieve results for children. The office also undertakes investigations into alleged misconduct to help the organization to implement a zero-tolerance policy on fraud, corruption and other abuse. Its broad institutional coverage allows OIAI to focus management attention on trends in the effectiveness of governance, risk management and controls, while providing reasonable assurance to stakeholders. The OIAI quality assurance and improvement programme confirmed that during 2015 the office continued to operate in accordance with relevant professional standards.

3. In 2015, OIAI issued 38 internal audit reports, with an additional 19 reports in varying stages of completion at year end. The reports issued contained 577 actions (including 108 rated high priority) that management had agreed to implement to address identified risks and issues. The office also completed five advisory engagements.

4. As a routine part of its work, OIAI reviews the status of implementation of previously agreed actions to ensure that any residual risks are addressed by management in a timely and effective manner. The office was pleased to note a continuing improvement in implementation rates, with 18 actions outstanding for more than 18 months, compared with 20 such actions in 2014.

5. Responding to Executive Board decision 2015/11, the office also contributed to further strengthening the Executive Board's oversight of UNICEF by providing an overall assurance opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNICEF framework of governance, risk management and controls. In summary, in the opinion of OIAI, this framework was generally satisfactory during 2015.

6. The office has continued to publicly disclose its internal audit reports, contributing to increased accountability and transparency to UNICEF stakeholders, in accordance with Executive Board decision 2012/13. Of the 38 internal audit reports issued in 2015, 26 had been publicly disclosed in full by the end of 2015. One report was redacted by the Director of OIAI, in accordance with Executive Board decision 2012/13, while the remaining reports were still under review.

7. The office managed 142 investigation cases in 2015, comprising 90 allegations received in 2015 and 52 carried over from previous periods, and closed 101 of these cases during the year. The majority of the investigations undertaken related to fraud involving misuse of programme funds by third parties and/or inappropriate staff conduct. The status of actions taken by management in response to each investigation report is followed up by OIAI, including whether funds at risk have been recovered, and the office is also looking to draw more effectively on the information generated from investigations to help to reduce the future risk of fraud, other misconduct and mismanagement.

8. During 2015, the Audit Advisory Committee (AAC) provided the Executive Director with independent advice on internal audit and investigations as well as on

other aspects of management, oversight and control. The office continued to engage effectively with the AAC throughout the year to help the Committee to fulfil its mandate.

9. The UNICEF Executive Director and senior management provided strong support to OIAI throughout 2015, and remain committed to developing and implementing appropriate responses to address the risks reported by OIAI.

II. Mandate and operations

10. The office provides UNICEF with an effective system of independent and objective internal oversight, which is designed to help the organization to fulfil its fiduciary responsibilities in achieving its programme goals for the protection and realization of the rights of children and women. Internal audits accomplish this by providing independent, objective assurance and advisory services designed to add value and to improve UNICEF operations. Investigations help the organization to implement a zero-tolerance policy towards misconduct, fraud and corruption by examining and determining the veracity of allegations of corrupt or fraudulent practices involving UNICEF and parties working for or with UNICEF, and allegations of other misconduct involving UNICEF staff, consultants, non-staff personnel and institutional contractors. The purpose, authority and responsibilities of OIAI are defined in the Charter approved by the Executive Director.

11. During 2015, OIAI received strong support and cooperation from UNICEF senior management. The OIAI Director had regular meetings with the Executive Director and senior management to discuss progress in implementing the OIAI workplan and the results from audit and investigations. The OIAI Director also participated in UNICEF senior management meetings to help to increase awareness of emerging key risks and issues. The office engaged in formal and informal discussions with other internal oversight functions within UNICEF, and participated in meetings with donors and their own auditors to strengthen cooperation with UNICEF. The office also participated in the activities of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (RIAS), the Representatives of Investigations Services of the United Nations Organizations, and the Conference of International Investigators. Additionally, OIAI collaborated in three inter-agency audits to address common risks for multi-partner trust funds and for the Delivering as One (DaO) programme, and cooperated with the heads of investigation sections across the United Nations system to share information and good practices on fraud prevention and awareness.

12. The main elements contributing to effective and efficient discharge of the OIAI mandate and its usefulness to key stakeholders are its functional independence, access to people and records, inclusive risk-based planning, sufficiency of resources that allow appropriate internal audit and investigation coverage, and the quality and timeliness of audit and investigation results.

III. Independence and external oversight

13. The Office of Internal Audit and Investigations hereby confirms its organizational independence: in 2015, OIAI was free from management interference

in determining its internal audit and investigations scope, performing its work and communicating its results.

14. The AAC continued to provide independent advice to the Executive Director to promote the effectiveness of UNICEF internal audit and investigation functions. During 2015, the AAC reviewed the OIAI 2014 annual report to the Executive Board as well as the 2015 workplan and quarterly progress reports on its implementation. The Committee also reviewed the status of actions taken by OIAI to address the recommendations of the 2013 external quality assurance review, all of which had been closed at the time this annual report was prepared. Either the Director or Deputy Director of OIAI attended all of the AAC meetings in 2015.

15. The United Nations Board of Auditors, the UNICEF external auditors, continued to rely on internal audit work done by OIAI in 2015.

IV. Professional standards

16. The work of OIAI follows relevant professional standards. Internal audit work is conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA), which RIAS adopted in June 2002. The office conducts investigations in accordance with the Uniform Principles and Guidelines for Investigations endorsed by the 10th Conference of International Investigators in 2009, and in conformity with due process principles as laid out in chapter X of the United Nations Staff Regulations and Rules.

17. The office maintains a quality assurance and improvement programme (QAIP), which includes internal quality assessments that involve ongoing performance monitoring and periodic reviews, and external quality assessments conducted at least every five years by a qualified independent external reviewer. The last external quality assessment was conducted in 2013, and the office's ongoing QAIP confirmed that **OIAI's internal audit activity continued to operate during 2015 in general conformity with international internal auditing standards as promulgated by the Institute of Internal Auditors.**

V. Resources

18. The office had a budget of $7.14 million for 2015, of which 99.8 per cent was expended by year end. The largest expenditure categories were staff salaries, travel and consultants. The 2015 budget included an increased allotment to fund an additional P-4 Investigator position, and $150,000 used to upgrade one P-3 Internal Auditor to P-4 level ($35,721) and to provide travel funds ($115,000) for the new P-2 and P-4 Investigator posts, which were filled in December 2014.

19. In 2015, the OIAI structure had 32 staff positions: Director, Deputy Director, 2 Chiefs of Audit, Chief of Investigations, Senior Auditor responsible for professional practices, Editor, 17 Auditors, 5 Investigators and 3 Administrative Assistants. Four positions were vacant as of 31 December 2015, including one Investigator (P-2), two Auditors (P-3 and P-4) and the Director. A new Director started with OIAI on 4 January 2016. The office received approval to recruit one additional P-4 Investigator in 2016; the recruitment process for that post is almost complete.

20. Support was received from 17 operations staff from UNICEF country offices, who assisted OIAI in audits of country offices other than their own, under the direct supervision of the OIAI audit team. The cost to OIAI for this support was $87,994 in travel expenditure.

21. The office also engaged third-party consultants to support specific internal audit and investigation activities. These consultancies comprised: (a) investigation services support ($18,300); (b) audit of the Indonesia Country Office ($10,500); (c) audit of the information and communications technology (ICT) infrastructure in UNICEF ($20,000); and (d) audit of UNICEF other resources accounting and reporting ($25,137).

22. At the time of preparing this report, the office had addressed all the relevant issues raised in the UNICEF 2014 Global Staff Survey.

23. Based on the risks and activities identified in its 2015 annual workplan, set within its longer-term planning for assurance and investigation activities, and having reviewed the office's performance against that plan, **OIAI considers its available resources to be appropriate and sufficient.**

VI. Internal audit workplan

24. The OIAI annual workplan is designed to identify the most significant risk areas to the achievement of UNICEF objectives, and to identify audit engagements and needed resources to help to address those risk areas. The office thus adds value to UNICEF operations and provides assurance to the Executive Board and other stakeholders on the adequacy of the UNICEF framework of governance, risk management and control.

25. The OIAI annual workplan uses a combined top-down and bottom-up approach to ensure identification of significant risks across all business units as well as strategic risks, and draws on contributions from UNICEF management. The workplan is designed to deliver a dynamic contribution to achieving better governance, robust risk management and more reliable controls. It includes internal audits of country offices, regional offices, headquarters units, organizational processes, country programmes and inter-agency activities. Reports issued from audit and advisory assignments in 2015 are summarized in annex 1.

26. As in previous years, the largest component of the 2015 audit workplan was at the country-office level, reflecting the organization's decentralized programming and management structure, where a substantial number of the risks identified in the OIAI risk assessment are managed by country offices with the support of the regional offices and headquarters divisions. Through its risk-based planning, the OIAI 2015 workplan ensured adequate coverage of the main risks to UNICEF, including audits of 38 per cent of UNICEF country offices.

27. Through maintaining its focus on the risks and issues of greatest importance to UNICEF, and through compliance over a multi-year cycle with the coverage of country operations set out in its Charter, **OIAI deployed its resources effectively throughout the year**, adjusting its plans as appropriate to reflect changes in the UNICEF risk profile, organizational priorities, operating environment and assurance needs.

28. As of 31 December 2015, OIAI had completed 38 audits and had 13 audit reports in draft form. Fieldwork was in progress for six more audits, while eight audits had been cancelled or postponed to the subsequent year due to security and safety or other concerns, with other assignments being promoted within the workplan to take their place. The office is satisfied that these adjustments had no material adverse impact on the ability of OIAI to provide the assurance required by its stakeholders. The majority of the deferred audits feature in the 2016 audit workplan and the most important ones are already under way.

VII. Internal audit assurance summary and opinion

29. Executive Board decision 2015/11 requested OIAI to provide in its future annual reports "(a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control; (b) a concise summary of work and the criteria that support the opinion; (c) a statement of conformance with the internal audit standards to which UNICEF adheres; and (d) a view on whether the resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage."

30. Internal audits provide assurance to the Executive Director and the Executive Board on the adequacy and effectiveness of UNICEF governance, risk management and control processes to ensure (a) efficient and effective use of UNICEF resources; (b) safeguarding of assets; (c) compliance with regulations, rules and policies; and (d) reliable reporting on financial and programme performance. UNICEF management is responsible for establishing and maintaining effective internal control, governance and risk-management processes to ensure organizational objectives are achieved. The responsibility of OIAI is to independently assess the adequacy and effectiveness of such a framework.

31. The OIAI opinion is based on the results of the internal audits and other assurance activities undertaken by the office during 2015. The overall opinion is intended to provide reasonable, not absolute, assurance for stakeholders, and, in compliance with Executive Board decision 2015/11, is based specifically on the work that has been performed.

32. The OIAI risk-based planning and multi-year cycle provide comfort that audit resources are directed towards the areas of greatest significance to the organization. In addition, work was carried out within each of the country/area office audits across three main areas — governance, programme and operations. These factors, together with the broad audit coverage obtained during the year, facilitate OIAI in drawing an overall conclusion.

33. The internal reports issued in 2015 comprised audits of 34 country/area offices (including one country-specific programme), two regional offices, one inter-agency activity, and one key process at headquarters. The majority of the audit reports issued in 2015 (see annex 1) included testing of the 2014 and 2015 operational and programmatic activities of UNICEF.

34. Based on the results of each audit, OIAI assigns an overall rating. Listed from positive to negative, these ratings are (a) unqualified, (b) moderately-qualified, (c) strongly-qualified and (d) adverse. This four-classification rating and their

associated criteria give management an overall picture of audit results of the organizational unit or function that was audited and help to focus their attention particularly on those that are rated "adverse" or "strongly-qualified". Adverse or strongly-qualified (unsatisfactory) ratings mean that OIAI audit work suggested that controls and processes related to the entity audited required improvement in order to be regarded as adequately established and functioning. Conversely, unqualified or moderately-qualified (satisfactory) audit ratings signal to management that controls and processes are generally established and functioning as intended.

35. Of the 38 internal audit reports issued in 2015, 27 (or 71 per cent) were rated satisfactory overall on the basis set out above, while 11 (29 per cent) were rated as unsatisfactory. Table 2 of this report provides a concise summary of the ratings across each of the audits.

36. The overall implementation rate of audit recommendations as at 31 December 2015 is 97.5 per cent for reports issued in 2012, 98 per cent for reports issued in 2013, and 90 per cent for reports issued in 2014. These rates provide additional comfort that appropriate and timely action is taken as and when improvements in governance, risk and controls are necessary.

37. The preponderance of satisfactory ratings from individual internal audit reports, together with the high implementation rates for agreed audit actions and the absence of any individual findings revealing fundamental flaws in the organization's governance, risk management and control systems, allows OIAI to provide an overall opinion (as follows) on the adequacy and effectiveness of the UNICEF framework of governance, risk management and control.

Annual assurance opinion

38. **In the opinion of OIAI, based on the scope of work undertaken, the adequacy and effectiveness of the UNICEF framework of governance, risk management and control were generally satisfactory. Although internal audits identified a number of areas where internal controls and governance and risk management practices required strengthening, OIAI was pleased to note that management had committed to address or was already addressing these areas.**

39. The office also noted that management has recognized the need to accelerate the pace of change within key areas that will be crucial enablers for continued performance improvement and for helping the organization to adapt to an increasingly challenging external environment. These include human resources management, information technology modernization and accountability structures. Through its ongoing programme of audit and advisory assignments during 2016, OIAI will monitor and provide assurance on these and other corporate change initiatives.

VIII. Disclosure of internal audit reports

40. The office's audit work directly contributed to UNICEF efforts to provide greater accountability and transparency to stakeholders. In accordance with Executive Board decision 2012/13, OIAI has publicly disclosed internal audit reports issued after 30 September 2012. Of the 38 internal audit reports issued in 2015, 23 country/area office and 3 non-country office audits had been publicly

disclosed in full by the end of 2015, while 11 reports were at the comment and review stage. In 2015, one report was redacted by the Director of OIAI prior to public disclosure, following comments received from the Executive Director and after a determination by the Director of OIAI that the reasons for the request to redact the report met the criteria outlined in Executive Board decision 2012/13. All reports disclosed to date may be viewed at www.unicef.org/auditandinvestigation.

41. Executive Board decisions 2009/8 and 2011/21 regarding limited disclosure relate only to those reports issued by OIAI from 2009 to the end of September 2012. In 2015, at the request of a Member State, OIAI made available three internal audit reports to be viewed through the legacy remote access system.

IX. Internal audit results

A. Actions agreed by management

42. The 38 internal audit reports issued by OIAI contained a total of 577 actions that management agreed to take in order to address the risks and weaknesses identified by the audits. Of these, 108 (19 per cent) were rated as high priority. In table 1, OIAI has categorized the actions agreed under the risk areas UNICEF has defined in its own risk assessment and reporting structure.

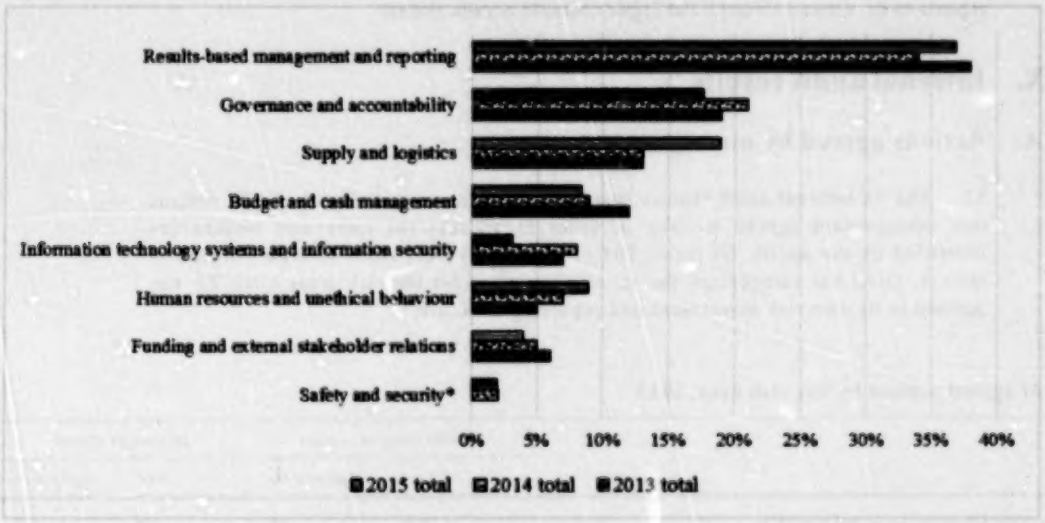
Table 1
Number of agreed actions by key risk area, 2015

	Number of agreed actions		*Percentage of total*	
Risk area	*Total*	*High priority*	*Total*	*High priority*
1. Results-based management and reporting	207	48	37	48
2. Governance and accountability	99	11	18	11
3. Supply and logistics	106	24	19	24
4. Information technology systems and information security	17	0	3	0
5. Budget and cash management	47	5	8	5
6. Funding and external stakeholder relations	22	2	4	2
7. Human resources and unethical behaviour	50	8	9	8
8. Safety and security	11	2	2	2
9. Natural disasters and epidemics	1	0	0	0
10. Organizational strategy and neutrality	1	0	0	0
Total	**561***	**100**	**100**	**100**

* Table 1 excludes the 16 recommendations (8 high, 8 medium) issued in the Joint audit of Delivering as One in Malawi (2015/10), as this is not followed up by the Office of Internal Audit and Investigations but by the internal audit service of the United Nations Development Programme.

43. The distribution of agreed actions by UNICEF risk area in 2015 shows a similar pattern to prior years, with three areas presenting the highest levels of residual risk: results-based management and reporting, supply and logistics, and governance and accountability. These areas represent 74 per cent of all agreed actions (and 83 per cent of high-priority actions). A comparison of agreed actions for 2015 compared to 2013 and 2014 is shown in figure I below.

Figure I
Distribution of agreed actions by key risk area for 2013, 2014 and 2015



* There were no agreed actions relating to safety and security in 2013.

44. The key processes where risk management action should continue to be prioritized for results improvement are described in annex 2. UNICEF management has agreed and has taken, or is taking, action to address the issues identified in internal audits to further strengthen management for results.

B. Distribution of audit ratings

45. Based on the results of an audit, OIAI assigns an overall audit rating. Listed from positive to negative, these ratings are: (a) unqualified, (b) moderately-qualified, (c) strongly-qualified, or (d) adverse. Table 2 that follows presents the distribution of ratings by type of audit. As noted above, of 38 internal audit reports issued in 2015, 71 per cent were rated as satisfactory (either unqualified or moderately-qualified). This compares favourably with 2014, when 64 per cent were rated as satisfactory.

Table 2
Distribution of audit ratings

Audit area		*Number of audits*	*Number of unqualified ratings*	*Number of moderately qualified ratings*	*Number of strongly qualified ratings*	*Number of adverse ratings*
Country/area office audits	WCAR	6	0	3	3	0
	LACR	8	3	4	1	0
	SA	1	0	1	0	0
	MENA	4	0	3	1	0
	ESAR	9	1	4	4	0
	EAPR	4	0	3	1	0
	CEE/CIS	2	0	2	0	0
Inter-agency audits		1	0	1	0	0
Headquarters/thematic		1	0	0	1	0
Regional offices		2	1	1	0	0
Total		**38**	**5**	**22**	**11**	**0**

Key: WCAR: West and Central Africa; LACR: Latin America and Caribbean; SA: South Asia; MENA: Middle East and North Africa; ESAR: Eastern and Southern Africa; EAP: East Asia and the Pacific; CEE/CIS: Central and Eastern Europe and the Commonwealth of Independent States.

C. Significant results of country/area office audits

46. The 34 country/area office audits completed in 2015 were full-scope audits, including an audit of the Kenya Country Office water, sanitation and hygiene (WASH) programme. Table 3 below shows the distribution of the 499 agreed actions, by risk area and region. The proportion of agreed actions for each region is also influenced by the number of audits done for that region, and hence is not a comparative assessment among regions of the adequacy of their actions in governance, risk management and controls.

Table 3
Distribution of agreed actions by risk area and region

Risk area	*MENA 4 audits*	*LACR 8 audits*	*WCAR 6 audits*	*EAPR 4 audits*	*ESAR 9 audits*	*SA 1 audit*	*CEE/CIS 2 audits*	*Total 34 audits*	*Percentage of total*
Results-based management and reporting	22	32	34	23	73	7	6	197	39%
Governance and accountability	11	12	19	9	26	4	7	88	18%
Supply and logistics	10	10	19	11	26	2	3	81	16%
Budget and cash management	5	12	8	4	13	1	1	44	9%
Human resources and unethical behaviour	6	7	11	2	12	1	1	40	8%
Funding and external stakeholder relations	2	6	2	3	4	1	2	20	4%
Organizational strategy and neutrality	–	–	–	1	–	–	–	1	–
Natural disasters and epidemics	–	–	–	–	–	–	1	1	–

Risk area	*MENA 4 audits*	*LACR 8 audits*	*WCAR 6 audits*	*EAPR 4 audits*	*ESAR 9 audits*	*SA 1 audit*	*CEE/CIS 2 audits*	*Total 34 audits*	*Percentage of total*
Information and communications technology and information security	1	2	2	1	7	3	1	17	3%
Safety and security	1	–	4	–	5	–	–	10	2%
Grand total	**58**	**81**	**99**	**54**	**166**	**19**	**22**	**499**	
Percentage of the total	**12%**	**16%**	**20%**	**11%**	**33%**	**4%**	**4%**		**100%**

Note: The total may not add up to 100% due to rounding.

47. The three most significant risk areas identified for continuing management action are results-based management and reporting, governance and accountability, and supply and logistics. These areas accounted for 73 per cent of all agreed actions. This is comparable to 2014, where 72 per cent of all agreed actions were found in the same risk areas. From the OIAI viewpoint, the main cause for the weaknesses identified in these areas was the insufficient level of compliance with the relevant UNICEF policies and procedures, which OIAI considered to be generally appropriate to manage risk. The office identified gaps in results-based management in programme planning and in the support to programme implementation, including the area of the harmonized approach to cash transfers (HACT). In the area of governance and accountability, there were gaps in the application of risk management, and in office supervisory structures and the delegation of authority. In supply and logistics, there were issues of compliance with procurement and contracting internal controls.

D. Significant results of inter-agency audits

48. Joint Audit of Delivering as One in Malawi 2015/10 (UNDP No. 1312): The DaO programme aims to produce a more unified United Nations structure at country level. The joint audit covered the activities of DaO in Malawi and focused on its five pillars (One Leader, One Programme, One Fund, Operating as One, and Communicating as One). The audit was conducted by the internal audit services of four United Nations agencies — the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and UNICEF. The joint audit assessed DaO in Malawi as "partially satisfactory", which means: "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entities." This rating is mainly due to the weaknesses observed in two of the pillars, One Programme and One Fund. Seven high-priority issues were identified by the audit, including: the absence of a robust quality review of the United Nations Development Assistance Framework (UNDAF) and joint annual workplans; weaknesses in the design of the UNDAF; gaps in the Integrated Monitoring and Evaluation Plan; gaps in reporting on results; an incomplete resource mobilization strategy for the One Fund; weakness in the Business Operating Strategy and its implementation mechanism; and inadequate follow-up on the HACT macro-assessment. None of the 16 recommendations included in the report were specifically addressed to UNICEF for action.

E. Significant results of headquarters and regional office audits

49. Internal Audit of the Management of Service Contracts in UNICEF's Headquarters Divisions (2015/14): The audit assessed governance, risk management and control processes over management of service contracts in UNICEF headquarters divisions. It identified eight high-priority issues, including the need for the Supply Division (SD) and the Division of Human Resources (DHR) to review current policies, procedures and practices on procurement of service contracts in headquarters in light of the audit findings. Other high-priority recommendations included: establishment of key performance indicators for procurement of service contracts; standard oversight processes for single-sourcing of service contracts; an action plan for review of vendor master data in VISION; and assessment of organizational risks relating to the human-resources allocation for headquarters divisions.

50. Internal Audit of the Latin America and Caribbean Regional Office (2015/08): The audit covered the regional office's governance, accountabilities related to country offices and operations support. The audit did not identify any high-priority issues. The audit noted controls functioning well in some areas, including established advisory and statutory structures that had appropriate membership and terms of reference (TOR), and the quality assurance processes for country programme development. The office had updated its risk profile and used implementation of actions to mitigate medium to high risks as a key performance indicator. In 2014, the regional office had organized a survey that sought feedback from country offices on its performance in its core functions.

51. Internal Audit of the Middle East and North Africa Regional Office (MENARO) (2015/34): The audit covered the regional office's governance and operations management and its oversight and support to country offices in the region. The audit identified one high-priority issue: gaps in the management of contracts for services. The office agreed to strengthen its oversight of the application of the UNICEF controls in this area, and to take a number of specific steps, including drawing up a plan for contracts for services, ensuring their signature before start dates, drafting TORs with specific deliverables and timelines, and strengthening of quality-assurance mechanisms over TORs. The audit noted controls functioning well in some areas, including a high rate of completion of staff performance evaluations, standard operating procedures (SOPs) to define expected controls over aspects of oversight and support to country offices, and effective systems for oversight and regular review of country office's performance indicators. The audit also noted that the office had been facing several severe protracted emergencies, with crises in five countries in the region during the period under audit.

F. Advisory services

52. Advisory reviews provide management with guidance on risks and controls and assist in adding value to the office's core assurance work. In 2015, OIAI issued four advisory engagement reports and completed one advisory review for which no report was issued, as follows:

(a) Support to strengthening governance and internal control capability of the Global Staff Association;

(b) Quality assurance review of Moore Stephens special audits of cash transfers in Madagascar;

(c) Conflict of Interest and Financial Disclosure Programme in UNICEF headquarters divisions;

(d) Strengthening office management in the Haiti Country Office;

(e) Support to donor verifications (no report).

G. Follow-up on audit recommendations

53. As part of its audit activity, OIAI continued to undertake regular desk reviews to follow up on the progress of implementation of all actions agreed by management. Actions that have not been implemented for more than 18 months from the date of issuance of the final audit report are included in OIAI quarterly reports for the attention of the Executive Director, senior management and the AAC.

54. As of 31 December 2015, 18 recommendations had not been implemented for more than 18 months, 7 of which were rated as high priority. All related to headquarters and thematic audits (see annex 3). This was a slight improvement over 2014, when there were 20 such outstanding recommendations. In both cases, the total number remains minimal, given that the 18 recommendations represent less than 4 per cent of the recommendations open at the end of 2015.

X. Investigations results

A. Case management

55. The office managed 142 investigation cases during 2015, as shown in table 4. This included 52 cases carried over from 2013 and 2014, and 90 allegations received in 2015 that were found to constitute serious suspicions of wrongdoing. At the end of 2015, 43 of the carried over cases and 58 of the new cases received in 2015 had been closed.

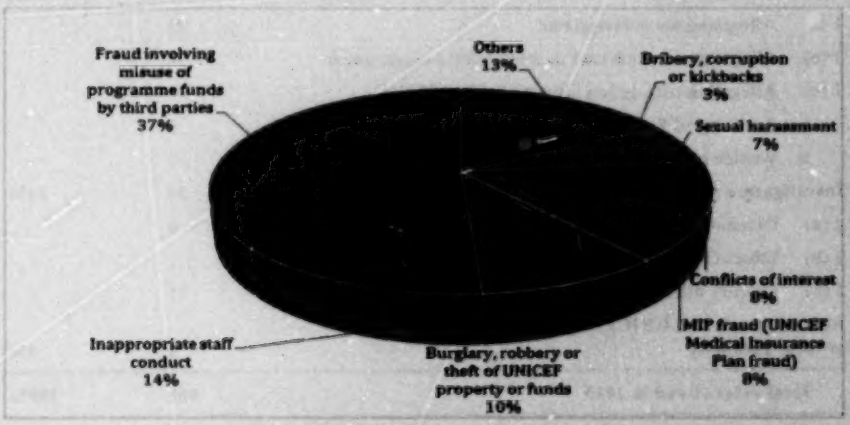
Table 4
Processing of investigation cases in 2015

Status of cases	*Number of cases*
Carry-over as of 1 January 2015	52
Intake during the year	90
Total cases	**142**
Closed (from cases carried over from 2013)	(43)
Closed (from intake)	(58)
Total cases closed	**101**
Cases ongoing as of 31 December 2015	41

B. Analysis of cases

56. The office analyses allegations and cases under 17 categories. In 2015, OIAI recorded cases within 14 of the 17 categories. Figure II presents the proportion of cases among the major categories. The three categories where no allegations were recorded were: forgery, personnel disputes and wilfully making false allegations.

Figure II
Investigation cases by category, 2015


Fraud involving misuse of programme funds by third parties 37%
Others 13%
Bribery, corruption or kickbacks 3%
Sexual harassment 7%
Conflicts of interest 0%
MIP fraud (UNICEF Medical Insurance Plan fraud) 8%
Burglary, robbery or theft of UNICEF property or funds 10%
Inappropriate staff conduct 14%

57. The majority of cases in 2015 were classified under three categories: fraud involving misuse of programme funds by third parties (33 cases); inappropriate staff conduct (13 cases); and burglary, robbery or theft of UNICEF property or funds (9 cases). These three categories totalled 61 per cent of all investigation cases. Compared to 2014, there was an increase in the number of cases of fraud involving misuse of programme funds by third parties (from 19 per cent in 2014 to 37 per cent in 2015). The category "Others" in figure II above includes gross mismanagement resulting in either financial or reputational damage to UNICEF, procurement irregularities, retaliation, non-MIP entitlements fraud, forgery, harassment and abuse of authority, and other miscellaneous issues.

58. The majority of cases originated from the Eastern and Southern Africa region (38 per cent), followed by the West and Central Africa region (19 per cent) and the South Asia region (13 per cent).

59. The 41 cases ongoing as of 31 December 2015 mainly consisted of allegations of fraud involving misuse of programme funds by third parties (14 cases), burglary, robbery or theft of UNICEF property or funds (5 cases), and bribery, corruption or kick-backs (5 cases).

C. Disposition of completed cases

60. In 31 of the 101 completed cases, the case was closed because OIAI could not substantiate the allegation. Another 16 cases were closed due to the staff member resigning or retiring from the organization during the course of the investigation.

The majority of the investigated matters (71 per cent) were referred to country offices for recovery of funds either from implementing partners or former staff members. The disposition of all cases completed in 2015 is described in table 5.

Table 5
Disposition of investigation cases completed in 2015

Type of closure	*Number of cases*	*Percentage of total*
Closure memorandum	**63**	**63%**
1 (a) Allegation not substantiated	31	
1 (b) Allegation in which staff member left the organization	16	
1 (c) Allegation with action initiated by the office		
i. Recovery of funds	9	
ii. Written reprimand	7	
Investigation report submitted to	**34**	**34%**
2 (a) Division of Human Resources	8	
2 (b) Ethics Office	1	
2 (c) Country office for recovery	25	
Referral made to a UNICEF office, United Nations body or local authority	**4**	**4%**
Total cases closed in 2015	**101**	**100%**

Note: The total may not add up to 100% due to rounding.

61. Closure of 101 cases by OIAI in 2015 compares with 72 in 2014. The 2015 closed cases included 25 investigation reports related to two government implementing partners and their implementation of activities. In 2015, there was also an increase in the number of cases where the staff member left the organization during the investigation.

62. Of the 101 cases closed in 2015, 66 per cent were closed within nine months of receipt of the allegation.

63. The office identified potential losses in 16 cases, one of them consisting of 23 sub-cases for a total of $790,095. As far as OIAI has been notified, $23,900 had been recovered as of 31 December 2015. A breakdown is presented in table 6.

Table 6
Financial impact of investigation cases in 2015

Category	*Amount of potential loss**	*Amount recovered*
Fraud involving misuse of programme funds by third parties	$341 145	$22 900
Burglary, robbery or theft of UNICEF property or funds	$369 224	$1 000
Medical insurance plan fraud	$79 726	$0
Total	**$790 095**	**$23 900**

* These amounts refer to the financial impact of the loss assessed by the investigations.

D. Disciplinary measures and other actions taken

64. The office submitted eight investigation reports to the Policy and Administrative Law section of DHR. One report related to a case of whistle-blower retaliation was also submitted to the Principal Adviser, Ethics Office, for appropriate action in accordance with CF/EXD/2007-005. By the end of 2015, the following actions had been taken by DHR:

(a) three summary dismissals;

(b) two separations from the organization with compensation;

(c) one demotion with deferment of eligibility of promotion for two years;

(d) one written censure for five years;

(e) one report resulted in no further action due to resignation after submission of the investigative report;

(f) one report resulted in no further action.

Annex 1

Audit and advisory reports issued in 2015[1]

No.	Reference number	UNICEF audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
		Country/area offices			
1.	2015/02	El Salvador Country Office (*Remote*)[4]	6	1	Q-M
2.	2015/03	WASH programme of the Kenya Country Office	19	4	Q-S
3.	2015/04	Guatemala Country Office	5	0	U
4.	2015/05	Azerbaijan Country Office (*Remote*)	12	1	Q-M
5.	2015/06	Somalia Country Office	22	5	Q-S
6.	2015/07	Brazil Country Office	21	4	Q-S
7.	2015/09	Costa Rica Country Office (*Remote*)	8	1	Q-M
8.	2015/11	Comoros Country Office	14	1	Q-M
9.	2015/12	Democratic People's Republic of Korea Country Office (*Remote*)	6	0	Q-M
10.	2015/13	Algeria Country Office (*Remote*)	18	5	Q-S
11.	2015/17	Kenya Country Office	21	4	Q-S
12.	2015/18	Togo Country Office (*Remote*)	13	2	Q-M
13.	2015/19	Benin Country Office (*Remote*)	11	3	Q-M
14.	2015/20	Central African Republic Country Office	22	6	Q-S
15.	2015/21	Madagascar Country Office	18	4	Q-M
16.	2015/22	Namibia Country Office (*Remote*)	5	0	U
17.	2015/24	Democratic Republic of the Congo Country Office	19	6	Q-M
18.	2015/25	South Sudan Country Office	26	8	Q-S
19.	2015/26	Zimbabwe Country Office	21	1	Q-M
20.	2015/27	Panama Country Office (*Remote*)	8	0	U
21.	2015/28	India Country Office	19	2	Q-M
		Country/area offices (continued)			
22.	2015/29	Oman Country Office (*Remote*)	10	2	Q-M
23.	2015/30	Zambia Country Office	20	2	Q-M
24.	2015/31	Cambodia Country Office	6	2	Q-M
25.	2015/32	Cuba Country Office (*Remote*)	11	2	Q-M
26.	2015/33	Nigeria Country Office	21	5	Q-S
27.	2015/35	Tunisia Country Office	12	2	Q-M

[1] Audit and advisory reports are listed by report reference number.

[2] Some medium- or high-risk agreed action plans were communicated to the Executive Director confidentially to prevent organizational exposure to the related risks.

[3] Report conclusions may be: unqualified (U); qualified-moderate (Q-M); qualified-strong (Q-S); or adverse (A).

[4] Remote audits were conducted for 13 country/area offices using a process that coupled information and communication technology with data analytics.

No.	Reference number	UNICEF audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
28.	2015/36	State of Palestine Office	18	1	Q-M
29.	2015/37	Kosovo Office (*Remote*)	10	1	Q-M
30.	2015/38	Timor-Leste Country Office (*Remote*)	17	5	Q-M
31.	2015/39	Nicaragua Country Office	11	0	U
32.	2015/40	Philippines Country Office	25	6	Q-S
33.	2015/41	Dominican Republic Country Office	11	1	Q-M
34.	2015/42	Guinea-Bissau Country Office	13	4	Q-S
		Total	**499**	**91**	
		Regional office audits			
1.	2015/08	Regional Office for Latin America and Caribbean	10	0	U
2.	2015/34	Regional Office for Middle East and North Africa	20	1	Q-M
		Total	**30**	**1**	
		Headquarters and thematic area audits			
1.	2015/14	Management of Service Contracts in UNICEF's Headquarters Divisions	32	8	Q-S
		Total	**32**	**8**	
		Inter-agency audits			
1.	2015/10	Delivering as One in Malawi (Joint)[5]	16	8	Q-M
		Total	**16**	**8**	
		Advisory services[6]			
1.	2015/01	Support to strengthening governance and internal control capability of the Global Staff Association	NA	NA	NA
2.	2015/15	Quality assurance review of Moore Stephens special audits of cash transfers in Madagascar	NA	NA	NA
3.	2015/16	Conflict of Interest and Financial Disclosure Programme in UNICEF headquarters divisions	NA	NA	NA
4.	2015/23	Strengthening office management in the Haiti Country Office	NA	NA	NA
		Total	**577**	**108**	

NA = Not applicable.

[5] This audit was conducted jointly by the internal audit services of UNDP (which led the audit), FAO, UNFPA and UNICEF. The report was issued to the Chair of the United Nations Development Group. The OIAI does not follow-up on the status of the implementation of the recommendations made in this report.

[6] In addition to the four items listed, OIAI also provided ongoing advice to the Division of Financial and Administrative Management on European Commission verification missions. A report was not issued.

Annex 2

Key processes identified for priority action by management

Risk area process	*High-priority agreed actions*	
	Number	*Percentage of total*
I. Results-based management and reporting	**48**	**48%**
1. Support to programme implementation	21	21%
2. Monitoring of programme implementation	12	12%
3. Programme planning	7	7%
4. Reporting	6	6%
5. Evaluation	2	2%
II. Supply and logistics	**24**	**24%**
1. Procurement and contracting	19	19%
2. Inventory management	5	5%
III. Governance and accountability	**11**	**11%**
Supervisory structures	7	7%
1. Delegation of authorities	2	2%
2. Performance measurement	1	1%
3. Risk management	1	1%
IV. Budget and cash management	**5**	**5%**
1. Financial management	5	5%
V. Human resources and unethical behaviour	**8**	**8%**
1. Staffing structure	6	6%
2. Ethics	2	2%
VI. Funding and external stakeholder relations	**2**	**2%**
1. Resource mobilization and management	2	2%
VII. Safety and security	**2**	**2%**
Total	**100**[7]	**100%**

[7] This excludes the eight high-priority recommendations included in the joint audit of Delivering as One in Malawi, which are being followed up by the lead agency, UNDP.

Annex 3

Recommendations unresolved for more than 18 months

I. Audit of the framework for managing policies and procedures, issued June 2012 (three recommendations; open 42 months)

1. Two recommendations pertain to a governance structure for managing organizational policies, procedures and guidance; and establishing minimum standards for policy development and management.

2. *Status: The Office of the Comptroller discussed the draft policy on the UNICEF regulatory framework with the Deputy Executive Director (DED) Management in October 2015, wherein it was agreed that the draft policy would be presented to the Executive Director after making revisions based on consultations with the UNICEF Office of the Legal Adviser and the DED Management.*

3. The third recommendation pertains to defining a common organizational platform for storing all policies and procedures.

4. *Status: The Office of the Comptroller and the Director of Information Technology Solutions and Services met in October 2015 and agreed to collaborate on the identification of a policy management software within a broader governance, risk and compliance system and a broader enterprise content management strategy. Funds have already been allocated for this platform. The draft policy on the regulatory framework will reference the functionalities of the future policy management software.*

II. Audit of user access controls and segregation of duties, issued April 2013 (one recommendation; open 32 months)

5. One recommendation pertains to drawing up a policy formalizing the governance structure concerning user roles, documenting the processes relative to the oversight bodies and supporting teams, and seeing that governance and oversight over the enterprise resource planning system user access security becomes fully operational.

6. *Status: There was progress in the documentation of processes and in the endorsement of the User Roles Governance Group terms of reference by the VISION Owners Group.*

III. Audit of UNICEF Treasury Management, issued July 2013 (five recommendations; open 29 months)

7. One recommendation pertains to exploring alternative treasury technology software to provide the automation required to meet treasury management requirements efficiently and accurately. A cost-benefit analysis will be conducted to evaluate the efficacy of an integrated treasury management system within SAP compared with stand-alone software solutions interfaced with SAP.

8. *Status: The Division of Financial and Administrative Management (DFAM) advised that a cost-benefit analysis was conducted and an integrated solution agreed. The Heat Map has been implemented and will address historical spending patterns, cash spent, reasonableness of replenishments requested and period cash balances. The outstanding deliverable is the Portfolio Analyzer.*

9. One recommendation pertains to ensuring that, for all banking relationships with global providers, there are written agreements with financial partners consistent with United Nations terms and conditions, and to establish, to the extent possible, depository accounts with global and regional financial institutions rather than local banks for country office operational and private sector donor accounts.

10. *Status: The United Nations Office of Legal Affairs is continuing to negotiate the global agreements with the six core United Nations banks. UNICEF has agreements in place for key banking providers and is systematically reviewing local arrangements as part of the Bank Rationalization Project to build an optimized "banking infrastructure" globally. A SWIFT survey was also conducted on the capability of banks to receive electronic payments and to provide electronic bank statements.*

11. One recommendation pertains to implementing the SAP cash forecasting and cash management modules.

12. *Status: Advised by DFAM that the cash forecasting tool has been deferred until funds can be secured, as late as the plan for the next biennium.*

13. One recommendation pertains to DFAM securing sufficient technological and staffing resources to monitor established risk control policies and guidelines; the prioritization of SAP configuration and reporting requirements for treasury management; and assessment of SAP technology expertise requirements.

14. *Status: Advised by DFAM that most of the critical areas have been addressed, with the Portfolio Analyzer an outstanding deliverable. The Heat Map has been implemented and will address historical spending patterns, cash spent, reasonableness of replenishment requests and period cash balances. A decision by senior management on staffing recommendations is still to be finalized.*

15. One recommendation pertains to DFAM implementing the SAP Portfolio Analyzer to produce robust investment portfolio performance metrics.

16. *Status: DFAM advised that the SAP Portfolio Analyzer remains an outstanding deliverable.*

IV. Audit of the Public Sector Alliances and Resource Mobilization Office (PARMO), issued December 2013 (two recommendations; open 24 months)

17. Two recommendations pertain to the Office of the Executive Director (OED) agreeing to issue an Executive Directive stating the strategic vision and implementation framework for the UNICEF resource mobilization function, outlining the roles and responsibilities assigned to PARMO (now the Public Partnerships Division, PPD) and other UNICEF organizational units; and establishing a strategy and requirements to improve the quality and timeliness of

donor reports at the global level; clarifying the responsibilities of PPD and regional offices regarding oversight and support on donor reporting.

18. *Status: In June 2015, the DED Partnerships informed OIAI that the terms of reference (TOR) for UNICEF resource mobilization roles and responsibilities had been finalized and would be advertised in order to embark on the work of the issuance of the revised Executive Directive. In January 2016, the DED Partnerships informed OIAI that a consultant was being hired to review the accountability framework for resource mobilization.*

V. Audit of the Office of Research (OoR), issued December 2013 (four recommendations; open 24 months)

19. One recommendation pertains to OED establishing a policy on research that outlines the mandate, objectives, responsibilities, authorities and accountabilities of OoR as well as other research-producing entities in UNICEF; sets standards for UNICEF research; clarifies reporting requirements to the Executive Board; and establishes mechanisms to monitor and report on compliance with the policy.

20. *Status: The Standing Committee on Research and Data discussed the first draft of the research policy in June 2015. Following revisions and a final consultation with country and regional offices, the revised draft is with OED for review.*

21. One recommendation pertains to OED reviewing the funding mechanisms of OoR.

22. *Status: The Office of the Executive Director supports successful efforts by OoR to secure long-term funding from external sources. Subsequently closed (February 2016).*

23. One recommendation pertains to OED reinforcing in its new policy on research the independent status of OoR and the mechanisms to promote and protect such independence.

24. *Status: The decision memo issued by the Executive Director in 2014 stated that OoR will maintain the independence of its research function and its resource mobilization efforts vis-à-vis external partners. The policy on research is expected to cover the issue of the independence of OoR. The revised draft policy is with OED for review.*

25. One recommendation pertains to the Division of Data, Research and Policy developing procedures and guidance for carrying out and reporting on research and related activities at all levels in UNICEF; ensuring that the new classification is reflected in the new policy on research; and establishing mechanisms to monitor and report on such research expenditure annually.

26. *Status: The Office of Research reported that it was developing a research expenditure report and procedures on quality assurance and research. Subsequently closed (February 2016).*

VI. Audit of the Programme Division (PD), issued December 2012 (three recommendations; open 36 months)

27. One recommendation pertains to strengthening quality-assurance mechanisms to ensure that results-based budgeting is implemented effectively, linking expected achievements to resource requirements.

28. *Status: Programme Division is working on guidance on results-based budgeting and standard costing. In progress.*

29. One recommendation pertains to the formalization of arrangements that will ensure the timely involvement of PD in key country programme formulation and review processes.

30. *Status: Programme Division is working on an Executive Directive that formalizes its early involvement in key country programme formulation and review processes, and documentation that attests to formal establishment of country-engagement clusters and networks as technical advisory and support mechanisms for regional and country offices.*

31. One recommendation pertains to strengthening mechanisms for obtaining feedback on the quality and relevance of issued guidance, ensuring feedback informs the development of other guidance; and establishing processes for obtaining feedback on the performance of PD in providing technical support to country and regional offices.

32. *Status: Programme Division plans to address all aspects of issuing technical programme guidance through its Knowledge Management Working Group. The group presented the draft SOP on technical guidance development to the PD Director's Office in the first quarter of 2015, including a mechanism for obtaining feedback from regional and country offices. As PD provides technical assistance in different forms (field missions, webinars, email guidance, phone calls, etc.), the modality of communication and nature of requests are difficult to track and measure in terms of performance. A country office satisfaction survey on the technical assistance process will be undertaken.*